

IOWA STREAMLINED SALES TAX ADVISORY COUNCIL

2014 Report to the

IOWA GENERAL ASSEMBLY

August 18, 2015

Council Created; Council Charge

In 2003, House File 683, Section 204 created the Iowa Streamlined Sales Tax Advisory Council. (Please see Appendix A for a list of members as of 12/31/14). The Streamlined Sales Tax Advisory Council was codified in statute at Iowa Code section 423.9A in 2006. The Council reviews, studies, and submits recommendations regarding the Streamlined Sales and Use Tax Agreement (SSUTA).

Meetings

The Council did not meet in 2014. The meeting agenda and minutes for previous years may be viewed at: <https://tax.iowa.gov/meeting-agendaminutes>.

Significant Developments

In 2014, the Streamlined Governing Board continued to work toward passage of federal legislation dealing with remote sales. The 113th Congress considered the Marketplace Fairness Act. The Act would give collection authority to Streamlined member states and non-Streamlined states who adopt some simplification requirements. The Act was introduced in the U.S. Senate as S. 743. On May 6, 2013, the Senate passed S. 743 in a 69-27 vote, with Senator Charles Grassley voting Nay and Senator Tom Harkin voting Yea. The Act was introduced in the U.S. House as H.R. 684. Despite strong efforts from advocates of the Act, H.R. 684 failed to pass the House Judiciary Committee. As an alternative to the Marketplace Fairness Act, Judiciary Chairman Robert Goodlatte has proposed a hybrid origin sourcing scheme, which would require retailers to collect sales tax on remote sales according to the location of the retailer. Hybrid origin sourcing could confuse Iowans about the sales tax rate for their remote purchases, raise taxes on some purchases by Iowans, and interfere with Iowa's collection of use tax. All state legislators are reminded to take every chance to encourage our representatives to support marketplace fairness in the 114th Congress.

The Governing Board continues to address issues of uniform definitions. In 2014, the Governing Board voted to adopt a definition of "WaterSense Products" that a state may use for a sales tax holiday. The Governing Board also voted to adopt two amendments to the definition of "prepared food." The first amendment allows a state to provide an exemption for food "that ordinarily requires additional cooking (as opposed to just reheating) by the consumer prior to consumption." The second amendment allows a state to provide an exemption for "meat or seafood sold in an unheated state by weight or volume as a single item."

The Governing Board also continues to address best practices for the administration of sales and use taxes. While no state may be found out of compliance for not following a best practice, all member states are encouraged to follow the best practices as much as possible. In 2014, the Governing Board voted to adopt best practices related to credits for sales and use taxes paid to other state and local jurisdictions. These new best practices include providing a credit for sales and use taxes paid as well as a credit for similar taxes paid.

Additionally, the Governing Board continues to refine its rules and procedures for administering the SSUTA. In 2014, the Governing Board amended rules for certifying new certified service providers and certified automated systems. The Governing Board also amended rules relating to the reports and files provided by certified service providers. Finally, the Governing Board established rules requiring approval and documentation for its expenditures via electronic payment in excess of \$2,000.

The Department submitted its annual taxability matrix and certification of compliance to the Governing Board. The Governing Board then conducted its yearly recertification exercise to ensure member states are in conformance to the Agreement. The Governing Board found Iowa to be in compliance.

On May 1, 2015, Governor Terry Branstad signed House File 621 into law. House File 621 amends the definition of “prepared food,” found in Iowa Code section 423.3(57), to clarify that sales of food that ordinarily require additional cooking by the consumer prior to consumption are not taxable as prepared food. House File 621 also provides limited liability relief to sellers and certified service providers following a change to a taxability matrix.

Updated Information

Iowa Code section 423.9(3) authorizes four individuals to serve as Iowa’s representatives on the Governing Board. One is to be a Representative of the House and Representative Guy Vander Linden serves in this capacity. One representative is to be a Senator and Senator William Dotzler serves in this capacity. Two of Iowa’s representatives are from the Executive Branch. One is Director of Revenue, Courtney Kay-Decker, and the other is Administrator of Tax Policy and Communications Services, Victoria Daniels.

As of December 31, 2014, there were 2,305 registrants in the streamlined project. This represents an increase of 250 registrants during 2014. Currently, 440 registrants are model 1 sellers and use certified service providers (CSP), and 1,865 registrants are model 4 sellers and calculate and submit their own taxes.

Members of the Council and the Iowa Department of Revenue participated in the Spring Governing Board meeting in Columbus, Ohio, along with the annual Streamlined Sales Tax Governing Board meeting and activities in Rapid City, South Dakota. Victoria Daniels was re-elected to serve on the Streamlined Executive Committee as Secretary–Treasurer.

Pending Issues

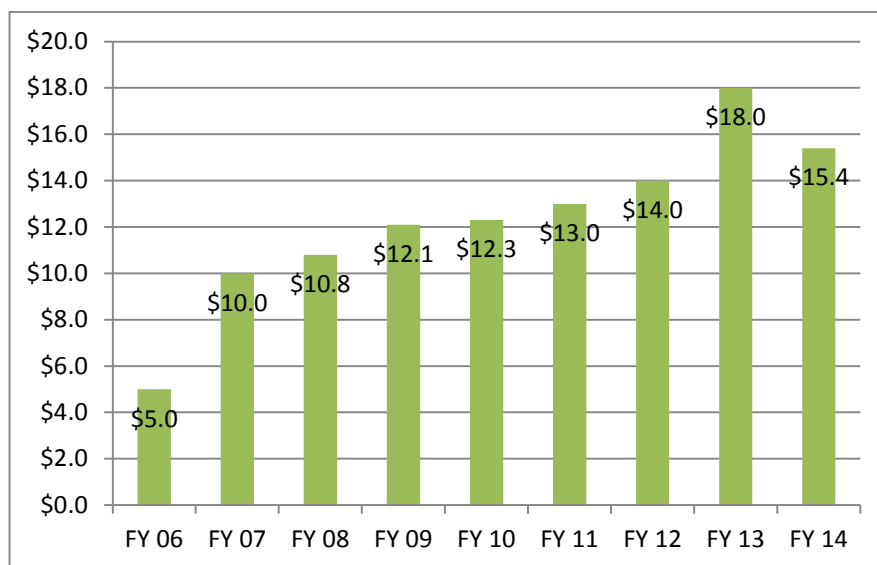
The Council would like to draw the General Assembly’s attention to the following issues as the streamlined process moves forward this year: The Governing Board continues to promote the Marketplace Fairness Act and other options that will allow states to collect sales taxes from remote retailers exactly as they already collect sales taxes from local retailers. The Governing Board also continues to refine the best practices for the administration of sales and use taxes. Additionally, the Governing Board is exploring product returns and other post-transaction issues that may affect the taxability of a transaction.

Remote Sales Revenue Since Inception

The Streamlined Sales Tax Governing Board was formed in October, 2005 with remote seller registration and volunteer collections following shortly after. Iowa's remote sales collections since inception are reflected below.

Fiscal Year	Revenue (In Millions)
2006	\$5.0
2007	\$10.0
2008	\$10.8
2009	\$12.1
2010	\$12.3
2011	\$13.0
2012	\$14.0
2013	\$18.0
2014	\$15.4 ¹
TOTAL	\$110.6

Revenue by Fiscal Year (in Millions)



¹ The decrease from 2013 to 2014 reflects an anomalous year from one remote seller, rather than a broad trend from all remote sellers. This one remote seller reported a sharp increase in Iowa sales in 2013, and it reported a similarly sharp decrease in Iowa sales in 2014. Iowa continues to register more remote sellers, which continues to lead to increased revenue. From 2012 to 2014, revenue grew by about \$1.4 million, which is in line with the growth in previous two-year periods.

Statutory Responsibilities Discharged

With submission of this report, the Council fulfills its reporting obligation as charged in Code Section 423.9A. The Council will continue to meet and communicate with the Governor and General Assembly. At the conclusion of 2015, it will file its twelfth annual report.

APPENDIX A

IOWA STREAMLINED SALES TAX ADVISORY COUNCIL

Members on December 31, 2014

Courtney Kay-Decker, Chair
Iowa Department of Revenue
Des Moines, IA

Victoria Daniels
Iowa Department of Revenue
Des Moines, IA

Senator William Dotzler
State Senate
Des Moines, IA

Michelle Hurd
Iowa Grocery Industry Association
Des Moines, IA

Jim Henter
Iowa Retail Federation
Urbandale, IA

Dick Koberg
Dica Marketing
Panora, IA

Ann Stocker
Cargill
Eddyville, IA

Chris Theisen
Theisen's Home-Farm-Auto Stores
Dubuque, IA

Warren D. Townsend
Wal-Mart Stores, Inc.
Bentonville, AR

Dave Krutzfeldt
Interpower Corporation
Oskaloosa, IA

Jeff Smith
Iowa Taxpayers Association
Des Moines, IA

Marc Michaelson
Casey's General Stores, Inc.
Ankeny, IA

Monti Miller
The Learning Post
Des Moines, IA

Representative Guy Vander Linden
House of Representatives
Des Moines, IA

Stephen W. Roberts
Davis, Brown, Koehn, Shors & Roberts PC
Des Moines, IA

Michael C. Rubino
Deere & Company
Moline, IL

Dale Busacker
Grant Thornton
Minneapolis, MN

Kristin Kunert
NFIB/Iowa
Des Moines, IA